have even become a source of family support. People come to them for spiritual, mental, and economic concerns as well as traditional health problems. The outreach workers get support from providers as needed. They also go door to door in the community and identify problems they observe.

The VFH community outreach workers believe they perform a significant role in responding to community needs and bringing residents in need of services to the attention of VFH. The partnership would like to standardize and certify outreach workers without losing the program's best feature—that is, employing community residents. The goal is to improve health services by enlarging the pool of health care workers who understand and are trusted by the community and providers alike.

Challenge: Use information technologies to improve patients' and caregivers' access to clinical information and support clinical decisionmaking.

The West Texas Community Care Consortium serves a 12-county, rural area in southwest Texas. New technologies help link providers and share information across 33,155 square miles served by the four county hospitals, six community health clinics, and more than a dozen health and social service agencies that make up the consortium.

As another example of training community members to assume health care roles, the consortium has trained bilingual residents to act as "consejeras," community service advocates. The consejeras understand residents' traditional ways of approaching health problems and have learned how to intervene in the healing process and bring patients into the formal health care system. They know what barriers patients face, have in-depth knowledge of community resources, and can help patients access health care and such ancillary services as translation and transportation. Their work is facilitated by laptop computers, which allow them to network with each other and share resource information. They also use the computers to fulfill continuing education requirements.

Two major consortium initiatives are a breast and cervical cancer screening project and an adult primary care and prevention project. A computer database tracks patients through the system, ensuring that necessary follow-up is provided for those with abnormal screening results, and monitoring referrals to tertiary care providers. The same database is used to ensure payment to physicians and other providers by the consortium. Thus consortium patients have access to a wider range of services and providers who can readily share appropriate information.

To further support its work, the consortium is developing an easy-to-use system for determining eligibility and enrollment in all state and federally funded health and social services programs. This system, currently in field tests, will be added to the laptops used by the consejeras, as well as onsite at provider facilities.

For more information on any of these innovative ways to develop a more patient-centered system through community involvement, contact the Community Care Network Demonstration Program at HRET (312) 422-2600. **T**

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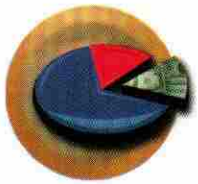


STRATEGIC PLANNING

The Challenge of Financially Based Strategic Planning

By James E. Grobmyer

Most hospitals have strategic plans. In fact, many have standing or ad hoc strategic planning committees of the board, which at first blush implies that the strategic process and subsequent document receive the greatest attention. Yet despite significant effort spent on their development, most hospital strategic plans are critically flawed.

The reason is straightforward: They are not developed within the context of fiscal or operational accountability. Typically, strategic plans are created without the analysis or data required to truly guide an organization's future.

What's Wrong with Strategic Planning?

Strategic planning is often conducted in isolation, without the necessary fiscal checks and balances. Despite the appearance of inclusiveness—i.e., the involvement of "interdisciplinary" committees with support from a myriad of survey data and research—the right people aren't at the planning table and the right questions aren't being asked. Such questions include:

- How much is this plan costing us?
- What returns are we getting on our investment?
- Can we afford to implement this plan?

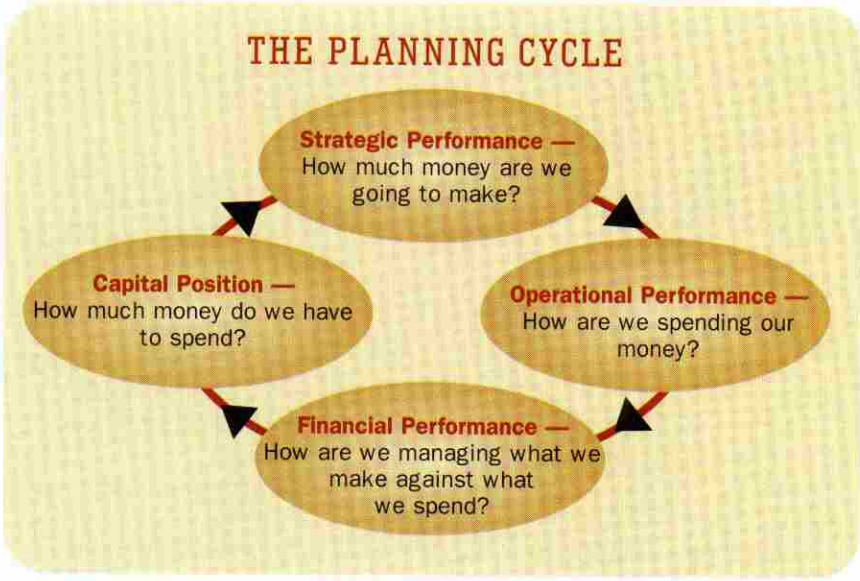
Hospitals get into trouble when they don't quantify their strategic direction. Chief financial officers and vice presidents of strategic planning speak different languages and often have different objectives. For example, many CFOs have been trying to cut costs while strategic planners have been developing programs to generate business. If one believes you need to spend money to make money, the reason for the disconnect is readily apparent.

That disconnect can be traced to the highest level in the organization—the board of trustees. Many boards have

finance committees and strategic planning committees that view their roles as separate and distinct when, in fact, they should be working together as stewards of the organization's capital.

It is common for strategic planning committees to focus externally on the organization's market and competitors. While that's a good starting point, organizations also need to integrate that information into their financial position, their operating realities, and their risk/return threshold.

Failure to integrate these concepts may result in a strategic plan that emphasizes market share, community needs, brand positioning, and mission effectiveness, but stops short of determining what the organization needs to be doing today to remain fiscally viable. Current resources are too limited to invest in strategies that aren't expected to provide a reasonable return.



A New View of Strategic Planning

A properly developed strategic plan should describe how an organization is going to make money, rather than how it is going to spend it. This is a philosophical shift that not-for-profit strategic planners have to make.

A good example was the strategy of the not-too-distant past when health care organizations raced to become integrated delivery systems, requiring expensive information system investment, physician practice purchase, managed care plan development, etc.

The rationale for integration was to increase market share and gain control by owning all elements along the health care continuum. The problem, however, was that in many instances this strategy was an end that did not justify the means—the incremental revenues from offering a full spectrum of health care services didn't cover the expenses of integration.

A number of organizations didn't recover from failed integration and went broke, while others have spent the past several years divesting themselves of the very entities they originally sought to own. Had those organizations viewed their integration strategy from the perspective of how it was going to make money, they would have quickly seen that the expenses involved far outweighed the potential revenues (see "The Planning Cycle," above).

The strategic plan and capital plan are synergistic. That is, an organization's strategy will depend on how much capital it has available.

The board should initiate the strategic planning process by first developing a realistic picture of the organization's capital position, which is a direct outgrowth of the prior year's financial performance. This is another reason why the finance and strategic planning committees need to work hand-in-hand.

In some instances, boards should have significant overlap between these two committees. In others, they should do away with a separate strategic planning committee altogether and make strategy development a full board activity.

A strategic plan should explain how an organization is going to allocate resources and what return it expects on its investment. Just like the budgeting process, strategic plans should be reviewed and adjusted annually.

In today's environment, organizations cannot conduct strategic planning every three years or so. Even plans with multiple-year projects need to be revisited annually, and the assumptions that factored into the original planning updated. The direction of the strategic plan will depend on the organization's past financial performance and corresponding capital position. If the bottom line is healthy, more risks can be taken. Conversely, if the organization is facing a cash crunch, the board needs to "stick to its knitting." (See "Strategic Strategies," page 36.)

The Risks of Failing To Do Financially Based Strategic Planning

Organizations that don't conduct financially based strategic planning leave themselves open to several risks:

- Development of a plan they can't afford to implement. It is common in turnaround situations to discover that the organization did not understand the long-term impact of its strategy on its cashflow. Hospitals that drain cash without adequate "restocking" will quickly get into trouble.
- Financial failure. Hospitals that do not embrace financially based strategic planning aren't as successful as those that do because they don't have a way to demand accountability for performance. In these organizations, completing the deal or implementing the strategy becomes the end game, rather

STRATEGIC STRATEGIES

Financial Performance*	Risk Threshold	Strategic Plan Mode	Typical Strategies
<3% operating margin	Low risk	Preservation mode	• Protect market share • "Stick to your knitting" — Concentrate on existing "cash cows"/profitable product lines • Use extreme caution and rigor when deploying strategies that expend capital • Divest money losers
>3% operating margin	Moderate to higher risk	Growth mode	• Expand market share • Pump up underperforming product lines that have potential • Develop new programs/product lines • Divest money losers

*Average adequate operating margins will vary, depending on the size of the hospital.

than holding executives accountable for the deal's financial success.

• Missed opportunities to establish priorities for competing projects based on sound financial projections. Setting priorities on projects can end up becoming a popularity contest when it should be based on quantifiable financial variables, such as the project's internal rate of return, payback period, and future earnings.

Comparing financial projections to actual results also gives board members and executives an unbiased way to evaluate the success or failure of each strategy. That way, intangible or political reasons for strategic initiatives, such as increasing community awareness or eliminating competition, become secondary to the strategy's profitability and sustainability.

• Supporting losing strategies. Sometimes hospitals continue to support a financially failing project because they don't have the data to evaluate it. In other words, they don't know it's failing. That's why it's so important to include financial and operational projections and assumptions for each strategy and to agree up-front that those will be the benchmarks by which the project will be measured.

• Weakened competitive position. We frequently see organizations having knee-jerk reactions to competition because they do not have a clear, objective way to evaluate a competitor's actions, nor can they point to their own strategies with any confidence of their staying power.

Despite adding another layer to an already complex process, hospital boards that embrace financially based strategic planning will be better stewards of their organizations' assets, and the organizations will ultimately sustain long-term financial health. **T**

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"We gave Chris the award because she has done so much to help," says Barbara Tanner, coordinator of the Victim Witness program. "Her manner is very approachable; she's one of the calmest people I've known. It's a rare thing for a lawyer to be that way."

It's a quality that makes her exceptional in her court-appointed duties, in the boardroom, and, additionally, as Del Norte County's family law facilitator, where Doehle estimates she sees about 200 families a month. She does not legally represent them but provides information about the court process, clarifies what the law says, makes phone calls, helps fill out often intimidating paperwork, and connects families to a large range of social services.

"Chris is a wonderful listener," says Kathy Stephens, R.N., maternal and child health coordinator of Del Norte County's Department of Health and Social Services. "She helps people get to the heart of what the problem is. She takes it upon herself to follow through and make sure they get what they need."

"Chris is steady as a rock," says Claudia Francis, project coordinator for Harrington House, a local shelter for battered women. "When a victim is in a world of chaos, you send someone to Chris, and she's someone they can hang onto for some stability. But she doesn't coddle these women. She gives them [practical advice on how they can] take care of themselves. Her confidence is contagious.That's what clients need."

Doehle says simply that it gives her "satisfaction" to provide tools and information that "empower people to make better choices."

"What strikes me most about Chris is that she's still here," Stephens says. "Assertive women [who are role models] in the community tend to leave for somewhere bigger. We're pretty lucky that she stayed."

Her Sutter Coast Hospital colleagues, as well as the parents and children of Del Norte County, would surely agree. **T**

LAURIE LARSON *is* Trustee*'s staff writer.*